

MEMORANDUM FOR MAJOR SUBORDINATE COMMANDS AND DISTRICT
COMMANDS

SUBJECT: Project Management Guidance Letter No. 9 - Cost Estimates and Financing Plans For Operation, Maintenance, Repair, Replacement and Rehabilitation (O,M,R,R,&R) of New Start Construction Projects

1. Rehabilitation costs, together with the remaining elements of operation, Maintenance, Repair, and Replacement (O,M,R,R,&R), are currently presented in the economic analysis of projects during benefit/cost comparisons. But historically we have not been very accurate in such estimates nor have we been giving the process of estimating such costs much attention. The Assistant Secretary of the Army (Civil Works) has noted that rehabilitation costs are usually not covered in the Local Sponsor's financing plan. I believe that the entire set of O,M,R,R,&R costs need more attention throughout the project development process and must be provided to local sponsors prior to LCA execution.

2. we are developing detailed guidance on the procedures and points of responsibility for developing cost estimates in the O,M,R,R,&R area over the entire spectrum of project development. This guidance will be forthcoming in a number of ER's in the near future. In the interim, for those projects currently in PED, and those with LCA's yet to be submitted to HQUSACE as of the date of this letter, estimates for O,M,R,R,&R costs and schedules, will need to be individually set out in the technical document that accompanies the LCA and addressed in the sponsor's financing plan. In particular, estimates for Operation & Maintenance and for future Repair and Rehabilitation must be emphasized. Consequently, sponsors need to specifically show their capability to fund such costs in their financing plans accompanying LCA packages.

3. The information developed in accordance with paragraph 2 should be shown in the LCA package and will be scrutinized during the LCA and financing plan review process. For projects in the initial stages of development, the Project Management Plan is to include procedures for developing detailed O,M,R,R,&R costs.

FOR THE DIRECTOR OF CIVIL WORKS:

/s/

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